



Informing Progress - Shaping the Future

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The Ethics of AI in Insurance - Pt 2



This virtual event was hosted by the FOIL Technology and Cyber Liabilities SFT and built on the first event in January last year.

With the exponential growth in the use of technology, including AI, in insurance business, important questions arise as to how best it can and should be put to work. A panel of experts was joined by some 40 delegates, from across a broad spectrum of interests.

The event was chaired by **Tim Wallis**, an accredited mediator and chair of Claims Portal Limited and Trust Mediation Limited.

This was an interactive event, featuring a series of short talks interspersed with a number of polls, details of which are to be found at the end of this summary.

Duncan Minty

Duncan, Founder of Ethics and Insurance is an independent ethics consultant, specialising in the insurance sector.

The relevance of ethics and AI in insurance today and the challenges insurers face

A survey of consumers carried out through the ABI in 2019, the results of which were published in 2020, revealed a significant level of concern (roughly nine out of ten) about how data was being used by insurers. It was felt that data was probably being used more in the interests of insurers than those of the consumer and that some organisations were selling on data, without permission. There were concerns about the

IN BRIEF

A panel of expert speakers looked at the relevance of ethics and AI in the modern insurance market; the major concerns; and what insurers should be doing to meet the challenges.

A series of polls gauged delegates' attitudes to the subject and how the talks altered their perceptions.

misuse of data even where permission had been given. Research in 2021 carried out in the USA produced similar results. There is therefore a conflict between insurers moving ahead with technological solutions and the lack of trust within consumers.

The onus is on insurers to address this problem. The key issues have been identified by the ABI survey as more specific and informed consent; greater control of secondary use of data; greater control over data trading; and insurers being more specific about the benefit to the consumer of using their data. These are broad and longer-term goals. The speaker felt that more immediate are the ethical risks from credit data, genetic data, conviction data, facial and emotion data and medical data. These are sources of data ethics reputational risk now, but they could also serve as templates for the sort of fundamental changes that insurers are being urged to make.

Melissa Collett

Melissa Collett is Professional Standards Director at the Chartered Insurance Institute (CII), leading its professional standards, ethics and conduct activity across insurance and financial planning. She is keen to raise awareness of best practice and drive ethical behaviour in the digital environment.

Ethics in the context of AI and insurance from the perspective of the CII

AI is already with us and it is a big topic in boardrooms. We can all recognise the benefits of AI in such applications as disease prevention, driverless cars and increased productivity but, as the previous speaker highlighted, customers have concerns. For example, while monitoring a phone could assist in detecting dementia in the user, the phone could also be used to track activity, which is already happening. That could be a threat to privacy.

There are also concerns about various forms of bias in algorithms.

The CII has therefore taken the lead in setting some ethical standards. A digital ethics forum was established, with broad representation, which produced a *Digital Ethics: A Companion to the Code of Ethics* (to be found at: <https://www.cii.co.uk/media/10122142/cii-accompanying-guide-to-digital-ethics-companion.pdf>) This promotes steps to ensure the right consumer outcomes. One of the key recommendations is around transparency. For example, insurers need to be much more open about what data is collected from 'black box' telematics and how that data is managed and used.

Chris Wyard

Chris is the interim Chief Data Officer at Allianz Insurance, and is responsible for implementing the insurer's UK Data Strategy. Current priorities and focuses for Chris include AI Governance, Cloud Transformation, improving data literacy and further maturing the company's data culture.

Decision making trees

This complex subject was focused for these purposes on how decision making can be enhanced with data. Machine learning is a broad topic across many industries, to the extent that it has been called 'the fourth industrial revolution'. Primarily this permits the finding of patterns within data. There are multiple applications, just one of which is decision trees. Put simply this is a series of 'if/then' propositions which reveals patterns and identifies boundaries. The speaker related to a crude form of decision tree within a home medical manual. Starting with the point at which pain is felt, a series of questions and answers eventually leads the reader to the most likely condition being suffered. This is now reflected in such models as NHS Online: the enquiry made leads to a suggested course of action. Within insurance, the risk is of trying to take the data down to too finite a point: overengineering. The decision tree must be based on the correct model and be within the correct context. It must be recognised that not all problems may be solved by machine learning and/or a

given insurer may not have the correct data. Care must be taken to select the correct data and to remove inherent bias.

Duncan Minty

Data enrichment

Although data enrichment (the use of external data) is often looked at positively, it is important to reflect on why it is needed and what it is for. Ethical risk exists because of the difference between what data insurers believe they need and the view of consumers. It is not merely a privacy issue but relevant to a range of other ethical concerns of why data collected for one purpose can or should be used for another. The 2020 ABI survey revealed that consumers were concerned about their data being used out of context. Those involved in data enrichment need to challenge themselves about what they can do with that data, including when working with third parties.

In the UK, the biggest data ethics risks are probably in claims. Speed is a key factor in AI decision making in claims but direction may be more important from an ethical perspective. Allowing the wrong factors to influence decisions could lead to reputational damage.

Chris Wyard

Robotics

In the context of this event, this means robotic process automation (RPA), or configured software that replicates human actions. RPA performs rule-based tasks, usually in repetitive, high-volume areas. Data entry and data processing are well established uses, driven by the requirement for efficiency and productivity and the need to improve customer outcome. As RPA is extended to more areas, those need to be carefully designed to ensure that they do add value. If the tasks are ill-defined, RPA will not be able to achieve what is required.

Nick Pester

Nick is responsible for the Legal & Regulatory functions at the Zego Group, a market-leading InsurTech business which is disrupting the traditional insurance model and making it more suitable for and relevant to 21st century customers and businesses

Operational efficiency in the context of ethics and AI

There is a great deal of data usage within the speaker's company ranging from issuing insurance policies to drivers immediately they log on to that collected during the course of a journey. Data is also linked into partner organisations. This means that there must be close liaison between those designing and operating the systems and those responsible for compliance. This close cooperation starts with the design of any new project and avoids the delays and problems often associated with a project starting with one team and then being passed to another.

However, this speaker sees much of the benefit of allowing the customer to drive and influence the use of their data, and this has been achieved at Zego by having regular dialogues with the customers to ensure that their concerns (e.g., about the use of telematics) were addressed. The telematics data has been used to consider the real risks associated with vehicle use (i.e. behavioural telematics), rather than using traditional proxies such as the customer's address. Zego consider this to be a fairer approach, and it has proved highly beneficial to some categories of driver, who may have been looked at less favourably under traditional pricing models.

AI is therefore a joint venture between insurer and customer.

Question to the panel

How truly 'intelligent' are the software robots today?

Chris Wyard

They are not that intelligent. They are taking historical data without context or common sense, and they are just looking to generate the outcomes from the data. Any model should be considered broadly but with context and data provenance very much in mind. The focus must be on data quality and removing bias. The 'intelligence' therefore comes from the organisation. An insurer's main investment must be in the implementation of any AI system.

Melissa Collett took a slightly different view. The amount of data that can be processed at high speed reflects how powerful these systems are and they are invariably more accurate than the old-fashioned methods they have replaced. For example, whereas a motor insurer may have used 20 data points in the past, they will now use thousands, all of which should lead to a fairer outcome.

Chris Wyard was concerned that the quality of these data points should be considered carefully.

However, this dictates that the ethics should be nailed down now.

Duncan Minty

Key to the process of data processing is learning. Learning is based on feedback. There must be effective feedback loops, not just at the macro level (which is the tendency) but also at the micro-level. Developers should therefore be more tuned into micro-outcome feedback from those experiencing the service to ensure that it is fairer: the best interest of *a* customer, rather than customers generally.

Matthew Maxwell Scott

Matthew is the executive director of the Association of Consumer Support Organisations (ACSO), which was established as a not-for-profit membership body in 2019 to represent the interests of consumers as claimants in the civil justice system.

The consumer

Do consumers understand what their data are? The more an insurer knows about a customer, the better it can assess the risk. This will probably result in a number of people becoming uninsurable. AI may also nudge the consumer in a certain direction, but as with telematics, will that be considered intrusive? The consumer may not accept or trust what an AI system comes up with. Even where the AI solution may be said to be statistically more accurate than that of a human, e.g., a doctor, research shows that the consumer will probably still wish to see the human. Consumer preference remains very important. Are customers made sufficiently aware of when they are 'talking to a bot'?

The speaker questioned whether, given the trust issue, insurers were the right people to be spearheading AI solutions.

Other issues are the vulnerability of some consumers and/or the inability to access or use the internet. Vulnerability becomes particularly important at the point a claim is made.

This is an early stage in the evolution of AI in insurance but trust must be a key factor to be borne in mind and insurers should not look merely at reducing costs.

Nick Pester agreed that the point of claim was a very important issue and even InsurTechs/'new wave' insurers have made mistakes in making it difficult for insureds to make contact with a human when they most needed to.

Melissa Collett observed that AI is capable of disadvantaging the vulnerable more than ever, when all of us will probably become vulnerable at some stage in our lives.

Personalising insurance through AI could erode the principle of pooling risk. Melissa also agreed that the ability to access products was another key issue.

Through systems such as telematics, if presented in the right way, positive behavioural change could be driven. Social values need to be borne in mind.

Q&A/open debate

Matthew Maxwell Scott felt that self-regulation of the insurance industry was the way forward, as an external regulator would slow matters down. However, if the industry was not prepared to share data to enable this to happen, the government might need to step in.

Duncan Minty cited the current difficulty insurers have with their dialogue with the FCA. Guidance was available on broad issues of fairness but guidance should also be available when different types of fairness analytics are being weighted up for use in models.

The regulator also needs to come down harder on the rogue operators, so that those operating legitimately can more confidently adopt ethical practices.

Chris Wyard was of the view that as there is a lot of ambiguity and gaps in regulation both globally and nationally, insurers need to look at their own policies and principles for all markets. These should look at the outcomes generated by AI and the impact on customers. It is important for a company to challenge what it is doing with data. There should also be liaison with relevant external bodies.

It was acknowledged that despite this sort of effort, there is still a trust deficit amongst some consumers, especially as high profile mistakes are still being made with how algorithms are deployed (ie: UK ditches exam results generated by biased algorithm after student protests). It will take time to achieve the desired trust across all consumers.

Nick Pester was of the view that listening to the customer is the principal issue. Insurance is a services business which should be relevant to its customers every day. The old model of selling a policy and then waiting for renewal is outdated.

Melissa Collett expressed the view that compliance with existing regulation (which is outdated) is not enough and insurers must be looking to get ahead of the game.

Are insurers just offering indemnity against a risk or offering advice in how to avoid that risk? Sharing data about risk prevention with the consumer may make them less suspicious about how their own data is used. Insurers must turn their product from a commodity into a service.

The panel was asked if it sees any promising themes emerging. **Matthew Maxwell Scott** sees lots of opportunity as debates like this continue to open up the subject. There is a great deal more to talk about, including the legality of AI and liability. The pandemic has accelerated the use of technology and consumers are becoming more familiar with these concepts.

Nick Pester believes that considerable progress has already been made, particularly with regard to transparency. However, some insurers appear still to be 'operating in silos' as far as AI is concerned.

Chris Wyard is optimistic for the future and believes the industry is making good progress but customer expectations must be at the forefront.

Duncan Minty wants to see the dialogue spreading out and more collaboration between interested parties.

Melissa Collett closed the session by reminding everyone that AI does not change any basic principles of ethics.

Polls and their results

There were four Yes/No questions on the polls and all four were asked first towards the beginning of the session and the first two were then repeated towards the end to see whether opinions had changed. All were anonymous.

The four questions were:

Q1 Is the true power of AI something that can be best harnessed by the customer?

1st POLL - 63% YES; 37% NO

2nd POLL - 67% YES; 33% NO

Q2 Do you trust algorithms?

1st POLL - 47% YES; 53% NO

2nd POLL - 13% YES; 87% NO

Q3 Are customers fairly treated/rated by insurers?

1st POLL - 41% YES; 59% NO

Q4 Is the concept of treating customers fairly a sufficient safeguard? *

1st POLL - 26% YES; 74% NO.

*This was originally asked as “**Is the concept of treating customers fairly a sufficient safeguard or is regulation necessary?**” – which did not lend itself to a Y/N answer but still received a 50/50 Y/N response. However, when the last four words were deleted, the response above of 26/74 Y/N was recorded.

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